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RUEATRS/DEPT OF TREASURY WASHINGTON DC IMMEDIATE

RUEAIIA/CIA WASHDC IMMEDIATE

RHEFDIA/DIA WASHINGTON DC IMMEDIATE

RHEHAAA/NATIONAL SECURITY COUNCIL WASHINGTON DC IMMEDIATE

RHHMUNA/USPACOM HONOLULU HI IMMEDIATE

RUEKJCS/SECDEF WASHINGTON DC IMMEDIATE

C O N F I D E N T I A L SECTION 01 OF 03 TAIPEI 000778

SIPDIS

STATE PASS USDA FOR OSEC/HOLTZMAN; FAS/OA/TURNER; FAS/OSTA BLUM, HAMILTON, DAWSON; FAS/OCRA RADLER, BEILLARD; AND APHIS/IS/CAPLEN; USTR FOR ALTBACH, O'CONNOR AND STRATFORD.

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TAGS: PREL PGOV ECON ETRD MARR TW CH

SUBJECT: THE DIRECTOR'S FAREWELL CALL ON PRESIDENT MA

Classified By: AIT Director Stephen M. Young,

Reasons: 1.4 (b/d)

¶11. (C) Summary. The United States does not agree with the PRC view that U.S. arms sales to Taiwan are out of step with improving cross-Straight ties, the Director told Ma Ying-jeou during his June 25 farewell call on the President. Taiwan arms purchases are intended solely to replace older systems and to maintain the relative military balance, Ma emphasized.

If the two sides conclude a bilateral economic cooperation agreement, China will offer only pro forma objections to Taiwan signing FTAs with other trade partners, the President predicted. Ma also indicated Taiwan needs a way to quell growing popular discontent with the inability to return Taiwan criminals from the United States. The President left open whether Taiwan negotiators would commit to an agreement on opening its market fully to all U.S. beef products that included a fixed date for phase two implementation. The Director emphasized the importance of inter-party dialogue, particularly in times of heightened social tensions stemming from the global economic crisis. End Summary.

Cross-Straight Military Issues

¶12. (C) The Director and Taiwan President Ma Ying-jeou discussed cross-Straight relations and the range of issues in the bilateral U.S.-Taiwan relationship during the Director's cordial, one-hour farewell call. Citing media reports of recent U.S.-PRC military talks, the Director noted that Chinese officials appeared to be pushing the line that continued U.S. arms sales to Taiwan are "out of step" with improvements in cross-Straight relations. The United States does not share the Chinese view, the Director said, and remains committed to its obligations under the TRA. China's actions do not match its rhetoric, President Ma suggested. Despite the thaw in cross-Straight ties, he said, the PRC continues to upgrade its military capabilities and to add to the more than 1000 missiles already arrayed against Taiwan.

¶13. (C) For its part, Ma said, Taiwan has no interest in attacking China. The purpose of the Taiwan military is exclusively to deter Chinese aggression, the President stressed. As a matter of policy, Taiwan arms purchases are intended solely to replace older systems and to maintain the relative military balance. Given PRC military modernization and deployments, therefore, Taiwan will need U.S. military hardware for the foreseeable future. If tensions continue to relax, Ma suggested, the PRC might offer to eliminate its

missiles in exchange for an end to U.S. arms sales. This, he said, would be a "bad bargain," given the PRC's other military capabilities. In keeping with past practice, a member of the U.S. military delegation recently in Beijing will visit Taipei during the week of June 29 to provide an overview of the talks, the Director said.

Taiwan-China Economic Ties

¶4. (C) If China and Taiwan conclude an Economic Cooperation Framework Agreement (ECFA), President Ma said, it will be a signal that China will not object to Taiwan signing free trade pacts with other partners. The Director cautioned that, in meetings with U.S. officials, Chinese officials have hinted that this might not be the case. Ma dismissed this concern, arguing that while Beijing would offer only pro forma objections to FTA talks with Singapore and others among Taiwan's trading partners.

Cross-Strait Ties Depend on Strong U.S. Relations

¶5. (C) The rapid improvement in cross-Strait relations since he took office confirms that China will be flexible as long as Taiwan does not seek de jure independence, Ma said. Setting aside political issues through creative ambiguity serves the interests of both China and Taiwan. Certainly, the recent economic downturn brought home to many people on Taiwan the importance of China to their future. This "third way," the President opined, of pursuing integration,

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particularly in economic areas, while seeking neither independence nor reunification, makes Taiwan less vulnerable and, from Beijing's perspective, keeps the island from drifting further away. We can leave these thorny issues to our children's children, he suggested.

¶6. (C) However, strong U.S.-Taiwan relations are a precondition for improved cross-Strait ties, Ma emphasized, and restoring mutual trust has been a major accomplishment of his administration. The Director agreed, and stressed the need to continue to coordinate closely. While Taiwan will naturally engage China directly, we should keep U.S.-Taiwan communication channels open so we know how we can help. The United States supports the Ma administration's cross-Strait policy, he said, including efforts to improve political and economic relations with China and to expand Taiwan's international space. Moreover, he said, the United States does not agree with the Chinese view that we should step back now that cross-Strait dialogue is bearing fruit. On a related topic, the Director noted, Chinese officials have recently praised the Track 2 dialogue organized by Don Zagoria.

Extradition

¶7. (C) The United States continues to consider the proposal to negotiate an extradition agreement with Taiwan, the Director said. That said, he noted that public comments by TECRO Washington Chief Representative Jason Yuan or others only complicate the process. Taiwan is not interested in an extradition agreement as a way to score "diplomatic points," Ma assured the Director. Ma noted the growing popular discontent with the inability to return Taiwan criminals from the United States. Since China and Taiwan recently signed a bilateral legal assistance agreement that includes provisions for returning criminals, he added, Beijing is not in a position to claim that concluding such a deal would be tantamount to recognizing Taiwan's sovereignty.

New AIT Office

¶8. (SBU) Noting that National Security Council Secretary General Su Chi, also in the meeting, had taken part in a June 22 dedication ceremony at the site of planned AIT NOC, the Director thanked Ma for his government's support for the project. AIT still may need help to ensure the permitting process goes smoothly and to acquire an adjacent piece of land, the Director said. Ma offered to assist as possible.

Beef

¶9. (C) Near the end of the meeting, the Director noted that negotiators are close to an agreement on fully opening Taiwan's market to U.S. beef, and stressed the need to conclude a deal quickly. This deal must have a fixed date for phase two implementation, he emphasized. If our proposed 4-month timeframe for consultations would be awkward given Taiwan's electoral calendar, the United States might be prepared to push this back to six months, ensuring that the consultations take place after Taiwan's December elections. Fundamentally, though, the fact that there has been no significant media or public criticism in response to recent news reports about a possible market opening suggests that the Health Minister is being far too timid, the Director opined. Specifically, he said, it seemed that Health Minister Yeh views his & report card8 as solely health issues, and despite his own admission that U.S. beef is absolutely safe, he has balked at moving forward. It is up to President Ma to focus on the benefit to U.S.-Taiwan relations and make the political decision to move forward now. In addition to the science-based argument in favor of a market opening, it is time to look now to the broader benefits an agreement will bring to the bilateral relationship.

¶10. (C) President Ma offered little in the way of a substantive response. Although he admitted that his earlier

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pledge to reach a deal by the end of June appeared out of reach, he merely said he was hopeful the negotiators will reach a suitable agreement in short order. Immediately after the meeting, the Director pulled Su Chi aside to suggest that our offer to consider a six month interval was a major concession, which President Ma seemed not to recognize. The Director urged Su to press Minister Yeh to accept this offer.

Inter-Party Dialogue

¶11. (C) The Director concluded the meeting by emphasizing the importance of inter-party dialogue, particularly given the social tensions engendered by the global economic downturn - a message he also gave to DPP leaders. Ma noted that he had a standing offer to meet with Tsai Ing-wen, which the DPP Chair is unable to accept because of the disarray within her own party and the stresses on it caused by the Chen Shui-bian case. While such a public meeting is currently impossible, Ma said, the KMT and DPP have informal channels for dialogue.

YOUNG